UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.3/1993/5
12 January 1993

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Twenty-seventh session
22 February-3 March 1993
Item 4 (a) of the provisional agenda*

NATIONAL ACCOUNTS AND BALANCES: SYSTEM OF NATIONAL ACCOUNTS (SNA)

Note by the International Labour Office

At its twenty-sixth session, the Statistical Commission requested the International Labour Office to submit a document for consideration to the Commission at its twenty-seventh session, in connection with its discussion of the System of National Accounts (SNA). 1/ In response to that request, a draft resolution concerning statistics of employment in the informal sector, prepared by the International Labour Office, is attached to this note as an annex.

This draft resolution is to be submitted for approval to the Fifteenth International Conference of Labour Statisticians (ICLS), which will meet in Geneva from 19 to 28 January 1993. The draft resolution is part of the International Labour Office Report III, "Statistics of Employment in the Informal Sector", 2/ and is based on the conclusions drawn in that report.

The Commission may wish to consider the draft resolution and:

(a) Take note of the work on the development of statistics of employment in the informal sector;

(b) Endorse the action taken by the Fifteenth ICLS on statistics of employment in the informal sector;

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(c) Promote statistical integration by requesting that the results of the Fifteenth ICLS on this topic be referred to in SNA, Rev.4.

Notes

1/ Official Records of the Economic and Social Council, 1991, Supplement No. 5 (E/1991/25), para. 1.

2/ International Labour Office, "Statistics of employment in the informal sector", Report III to the Fifteenth International Conference of Labour Statisticians, Geneva, 19-28 January 1993.

Annex

DRAFT RESOLUTION CONCERNING STATISTICS OF EMPLOYMENT IN THE INFORMAL SECTOR

INTRODUCTION

The Fifteenth International Conference of Labour Statisticians,

Having been convened at Geneva by the Governing Body of the ILO and having met from 19 to 28 January 1993,

Recalling paragraph 33 of the resolution concerning statistics of the economically active population, employment, unemployment and underemployment (resolution I), adopted by the Thirteenth Conference (1982) and the resolution concerning the informal sector (resolution VIII), adopted by the Fourteenth Conference (1987),

Observing an increased demand, both at the national and international levels, for the development of statistics on employment in the informal sector,

Considering that such statistics are especially needed in order to improve the statistical systems of countries where informal sector activities account for a significant proportion of total employment and income generation,

Recognising the need for international standards to provide technical guidelines as a basis for the development of suitable definitions and classifications of informal sector activities and the design of appropriate data collection methods and programmes, and recognising the usefulness of such standards in enhancing the international comparability of statistics,

Adopts this .. day of January 1993 the following resolution:

OBJECTIVES

1. Countries where the informal sector plays a significant role in employment and income generation and economic and social development should aim at developing a comprehensive system of statistics on employment in the informal sector to provide an adequate statistical base for the various users of the statistics, with account being taken of specific national needs and circumstances. The system to be developed should contribute to the improvement of labour statistics and national accounts as an information base for macroeconomic analysis, planning, policy formulation and evaluation, to the integration of the informal sector into the development process and to its institutionalisation. It should provide quantitative information on the contribution of the informal sector to various aspects of economic and social development, including employment creation, production, income generation, the alleviation of poverty, human capital formation and the mobilisation of

financial resources. The system should also provide data for the design and monitoring of specific support policies and assistance programmes for the informal sector as a whole or parts thereof with a view to increasing the productive potential and employment and income-generating capacity of informal sector units, improving the working conditions and social and legal protection of informal sector workers, developing an appropriate regulatory framework and promoting the organisation of informal sector producers and workers, and for the analysis of the economic and social situation of particular groups of informal sector workers such as women, children, rural-urban migrants or immigrants.

2. In order to fulfil the above objectives, comprehensive, detailed and reliable statistics should be compiled on: (i) the total number of informal sector units, classified by various structural characteristics to provide information on the composition of the informal sector and identify particular segments; (ii) total employment in such units, including information on the number of persons engaged by socio-demographic and other characteristics and on the conditions of their employment and work; (iii) incomes generated through informal sector activities, derived, where possible, from data on outputs, inputs and related transactions; and (iv) other characteristics pertaining to conditions under which informal sector units are created and carry out their activities, including their relationships with other units inside and outside the informal sector.

3. In order to enhance their comparability and usefulness, statistics on the informal sector should, as far as possible, be compatible with related economic and social statistics and with national accounts as regards the definitions, classifications and survey periods used.

4. Statistics on the informal sector should be compiled at regular intervals so that changes in the size and characteristics of the informal sector over time can be monitored adequately. The frequency of data collection may vary according to the different types of statistics mentioned in paragraph 2, survey methods required and their implications for the use of human and financial resources.

SCOPE, CONCEPTS AND DEFINITIONS

5. The informal sector may be broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. Typically, these units operate at a low level of organisation, with no or little division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

Household enterprises

6. (1) For statistical purposes, the informal sector is regarded as a group of production units which, according to the definitions and classifications provided in the United Nations System of National Accounts (Rev.4), form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households.

(2) According to the United Nations System of National Accounts (Rev.4), household enterprises (or, equivalently, unincorporated enterprises owned by households) are units engaged in the production of goods or services which are not constituted as separate legal entities independently of the households or household members that own them, and for which no complete sets of accounts (including balance sheets of assets and liabilities) are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and the identification of any flows of income and capital between the enterprises and the owners. Household enterprises include unincorporated enterprises owned and operated by individual household members or by two or more members of the same household as well as unincorporated (unlimited liability) partnerships formed by members of different households.

(3) Household enterprises should be distinguished from corporations and quasi-corporations on the basis of information on the legal organisation of the units and the type of accounts kept for them. In situations where such information cannot be directly obtained in statistical surveys, appropriate tests for the identification of household enterprises should be developed according to national circumstances. Such tests may be based, for example, on criteria such as the non-recording of the enterprises in registers of corporations, their exemption from compulsory bookkeeping according to standardised rules, or the kind of tax declarations made. Alternatively, survey respondents may be asked to indicate the type of enterprise in which they work on the basis of an appropriate list of different categories of enterprises.

Scope of the informal sector

7. (1) In order to enable employment, production and income generation in the informal sector to be measured as a share of total employment, domestic product and national income, the scope of the informal sector is limited to units engaged in activities which are included in the production boundary defined by the United Nations System of National Accounts (Rev.4).

(2) Household enterprises, which are exclusively engaged in non-market production, i.e. the production of goods or services for own final consumption or own fixed capital formation as defined by the United Nations System of National Accounts (Rev.4), should be excluded from the scope of the informal sector.

(3) With account being taken of subparagraph (2) above, the scope of the informal sector should include household enterprises located in urban areas as well as household enterprises located in rural areas. However, countries which start to conduct surveys of the informal sector may initially confine data collection to urban areas. Depending upon the availability of resources and appropriate sampling frames, the coverage of the surveys should gradually be extended to cover the whole national territory.

(4) For practical reasons, the scope of the informal sector may be limited to household enterprises engaged in non-agricultural activities. With account being taken of subparagraph (2) above, all non-agricultural activities should be included in the scope of the informal sector, irrespective of whether the household enterprises carry them out as main or secondary activities.

Definition of the informal sector

8. (1) For statistical purposes and subject to the scope specified in paragraph 7 above, the informal sector comprises (i) all "own-account enterprises" as defined in paragraph 9 below; and (ii) depending on national circumstances and statistical requirements, the additional component consisting of "enterprises of informal employers" as defined in paragraph 10 below.

(2) The informal sector is defined irrespective of the kind of workplace where the productive activities are carried out, the use of fixed capital assets, the duration of the operation of the enterprise (perennial, seasonal or casual), and its operation as a main or secondary activity of the owner.

Own-account enterprises

9. (1) Own-account enterprises are household enterprises (in the sense of paragraph 6(2) above) owned and operated by own-account workers, either alone or in partnership with members of the same or other households, which do not employ employees on a continuous basis. Own-account enterprises may, however, employ unpaid family workers and/or employ casual employees.

(2) Own-account workers, unpaid family workers and employees should be defined in accordance with the most recently adopted version of the International Classification of Status in Employment (ICSE).

(3) For purposes of informal sector statistics, the employment of employees on a continuous basis is defined by distinction from the employment of casual employees. Casual employees may be defined as paid workers hired occasionally for specific tasks to meet temporary work needs, whose employment with the enterprise is not expected to continue for more than a specific duration (e.g. 2 weeks or 4 weeks at a time). The maximum duration for consideration of employment as casual and, hence, the minimum duration for consideration of employment as continuous should be determined in the light of the particular conditions of each country.

Enterprises of informal employers

10. (1) Enterprises of informal employers are household enterprises (in the sense of paragraph 6(2) above) owned and operated by employers, either alone or in partnership with members of the same or other households, which employ one or more employees on a continuous basis (in addition to the unpaid family workers and/or casual employees whom they may also employ) and meet the following criteria:

(i) size of the units below a specified level;

(ii) no employment of any regular employee.

(2) The inclusion of enterprises of informal employers in the definition of the informal sector may be limited to particular kinds of informal sector activities where the employment of hired labour on a continuous basis exists, such as manufacturing activities, repair services and other activities relevant to the particular circumstances of each country.

(3) For purposes of informal sector statistics, the criterion of size of the units should be defined in terms of employment. The criterion should preferably refer to the number of employees employed on a continuous basis. However, depending upon the feasibility of data collection and national practice in defining the coverage of other related statistical inquiries, the criterion may also be specified in terms of the total number of employees or the number of persons engaged during the reference period.

(4) The upper size limit in the definition of enterprises of informal employers may vary between countries and branches of economic activity. The determination of this upper size limit, in situations where statistical inquiries relating to the larger units in the corresponding branches of economic activity exist, should take due account of the lower size limit which specifies the coverage of these inquiries. In order to avoid an overlap in coverage, the upper size limit for enterprises of informal employers should not be higher than the lower size limit used in other statistical inquiries pertaining to the same branch of economic activity. Where this limit is sufficiently low, it should also be taken as the upper size limit for enterprises of informal employers. Where the lower size limit used in the other inquiries is too high to be useful as the upper size limit for enterprises of informal employers, efforts should be made to extend the coverage of the other inquiries and thereby reduce the gap in coverage from both directions.

(5) In situations where statistical inquiries relating to the larger units in the corresponding branches of economic activity do not exist, the upper size limit for enterprises of informal employers may be determined on the basis of minimum size requirements as embodied in national legislation concerning the need for units to register formally under a factories or commercial Act, pay taxes proportional to results, comply with labour standards, pay social security contributions, etc. Alternatively, an

appropriate cut-off point for informal sector surveys may be determined empirically by using data on the distribution of enterprises by size as obtained from population censuses or household surveys, or on the basis of results from pilot surveys, research studies, etc. The same approach may be followed in situations where the coverage of the other inquiries is determined by criteria other than the size of the units in terms of employment. In such situations, units potentially included in the coverage of the other inquiries should be identified separately in the results of informal sector statistics.

(6) In the case of enterprises which carry out their activities in more than one establishment (identifiable workplace), the size criterion should refer to each of the establishments rather than to the enterprise as a whole. Accordingly, an enterprise should be included among enterprises of informal employers if none of its establishments exceeds the upper size limit as determined according to subparagraphs (4) and (5) and the enterprise also meets the other criteria specified in subparagraph (1).

(7) Employers, unpaid family workers and employees should be defined in accordance with the most recently adopted version of the International Classification of Status in Employment (ICSE). The employment of employees on a continuous basis should be distinguished from the employment of casual employees according to paragraph 9(3) above.

(8) For purposes of informal sector statistics, a regular employee should be defined as an employee who is employed on the basis of an employment contract which commits the employer to pay relevant taxes and social security contributions on behalf of the employee and/or which makes the employment relationship subject to standard labour legislation. Apprentices should be considered regular employees on the same basis as other employees.

(9) In order to enhance the usefulness of statistics for analytical purposes and improve their international comparability, enterprises of informal employers, when included in statistics of the informal sector, should be identified separately from own-account enterprises. They should be classified by size in intervals which are consistent with the standard size intervals recommended for the 1983 World Programme of Industrial Statistics, i.e. 1-4, 5-9, 10-19, etc. persons engaged. Depending upon the intended uses of the statistics, these intervals may be further subdivided. Users of the statistics should also be provided with a detailed description of the kinds of units included among enterprises of informal employers.

11. For particular analytical purposes, more specific definitions of the informal sector may be developed at the national level by introducing further criteria on the basis of the data collected. Such definitions may vary according to the needs of different users of the statistics.

Particular groups of production units and workers

12. (1) Outworkers are persons who agree to work for a particular enterprise, or to supply a certain quantity of goods or services to a particular enterprise, by prior arrangement or contract with that enterprise, but whose place of work is not within any of the establishments which make up that enterprise.

(2) In order to facilitate data collection, all outworkers should be included in the scope of informal sector surveys, irrespective of whether they constitute production units on their own (self-employed outworkers) or form part of the enterprise which employs them (employee outworkers). On the basis of the information collected, self-employed and employee outworkers should be distinguished from each other by using the criteria recommended in the United Nations System of National Accounts (Rev.4). Outworkers should be included in the informal sector, or in the population employed in the informal sector as defined in paragraph 16(1) below, if the production units which they constitute as self-employed persons or for which they work as employees are household enterprises fulfilling the requirements of paragraphs 7-10 above.

(3) In situations where the number of outworkers is significant or where outworkers represent a group of particular concern for data users, self-employed outworkers should be identified as separate sub-categories of own-account enterprises and enterprises of informal employers or of the owners of such enterprises.

(4) For the purposes of the distinction between the employment of employees on a continuous basis and the employment of casual employees and in application of the definition of regular employees according to paragraphs 9(3) and 10(8) above, employee outworkers should be treated in the same way as other employees. Where relevant, employee outworkers may be identified as a separate sub-category of informal sector employees.

13. (1) Domestic workers are persons who render paid domestic services, such as cooking, child care, laundering, cleaning, gardening, transportation or security services, to other households at the latters' place of residence.

(2) Depending upon national circumstances and the needs of data users, countries may include domestic workers in the informal sector, and in the population employed in the informal sector as defined in paragraph 16(1) below, provided the domestic workers constitute production units on their own as self-employed owners of household enterprises engaged in the production of domestic services for sale and these enterprises fulfil the requirements specified in paragraphs 7-10 above. According to paragraph 7(2), all domestic workers who are paid employees of the households to whom the services are rendered should be excluded from the informal sector. For practical purposes, domestic workers should be considered employees if they do not employ hired labour themselves and render their services on a regular basis to only one household or a small number of the same households. Conversely, domestic workers should be considered self-employed persons if they employ hired labour

themselves or render their services on an ad hoc basis to a larger number of different households. The number of households used for the distinction should be determined according to the particular situation of each country.

(3) In order to enhance the usefulness of statistics for analytical purposes and facilitate international comparisons, domestic workers included in the informal sector should be identified in the statistics as separate sub-categories of own-account enterprises and enterprises of informal employers or of the owners of such enterprises.

14. (1) Different members of a household may be engaged as self-employed persons in different kinds of informal sector activities during a given reference period. In order to determine whether such activities should be regarded as separate enterprises or as parts of a single enterprise, due consideration should be given to the definitional requirements of an enterprise as specified in the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3). Where it is difficult in practice to apply these requirements, different activities carried out by different household members should be treated as separate enterprises if they are perceived as such by the household members themselves.

(2) A household member or group of household members may be engaged as self-employed persons in different kinds of informal sector activities during a given reference period. For practical purposes, all activities carried out at a time by the same household member or group of household members should be treated as parts of a single enterprise rather than as separate enterprises.

15. In the case of informal sector units which are engaged in different kinds of production activities during a given reference period, efforts should be made to collect as much separate information as possible in respect of each activity, even when the enterprises concerned need not or cannot be partitioned into establishments as defined by the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3). In particular, such separate information should be collected in respect of all activities of the enterprise which are horizontally integrated (i.e. producing different kinds of goods or services for sale or exchange and carried out parallel with each other), irrespective of their share in the total value added of the enterprise.

Population employed in the informal sector

16. (1) The population employed in the informal sector comprises all persons who, during a given reference period, were employed (in the sense of paragraph 9 of resolution I adopted by the Thirteenth International Conference of Labour Statisticians) in at least one informal sector unit as defined in paragraphs 7-10 above, irrespective of their status in employment and whether it is their main or a secondary job.

(2) For classification of the total employed population into mutually exclusive categories of persons employed in and outside the informal sector,

persons employed both in and outside the informal sector should be classified as a separate category, or criteria should be established to determine their main job (e.g. on the basis of the time spent at work or the amount of remuneration received in each job).

(3) In some countries, a significant number of children below the age specified for measurement of the economically active population in population censuses or household surveys work in informal sector units and may represent a group of particular concern for labour legislation and educational and social policies. In such situations, efforts should be made to collect information on the work of children in the informal sector, irrespective of the age of the children. In order to enable employment in the informal sector to be measured as a subset of total employment as obtained from population censuses or household surveys, children below the minimum age specified in these censuses or surveys should be identified as a separate category of the population employed in the informal sector.

DATA COLLECTION PROGRAMME AND METHODS

17. (1) The collection of data on the informal sector should be integrated into the regular national statistical system. The data collection programme should provide both for (a) the current monitoring, at least once a year, of the evolution of employment in the informal sector and (b) the in-depth examination, at least every five years, of informal sector units with respect to their numbers and characteristics, in particular, their organisation and functioning, their production activities and levels of income generation, as well as their constraints and potentials.

(2) The data collection programme with regard to the broad objective (a) should preferably be based on a household survey approach, with households as reporting units and individual household members as observation units. With regard to the broad objective (b), the data collection programme should preferably be based on an establishment survey approach or a mixed household and enterprise survey approach, or a combination of both, with the informal sector units themselves and their owners as observation and reporting units.

Household surveys for monitoring informal sector employment

18. (1) Existing surveys of the economically active population and similar household surveys provide a useful and economical means of collecting data on employment in the informal sector in terms of the number and characteristics of the persons concerned and the conditions of their employment and work.

(2) For this purpose, questions pertaining to the definition of the informal sector should be incorporated into the survey questionnaire and asked in respect of all persons employed during the reference period of the survey, irrespective of their status in employment.

(3) Special care should be taken in the survey design and operations to ensure comprehensive coverage of the population employed in the informal sector as defined in paragraph 16(1) above. In particular, special efforts should be made in the sample design to ensure appropriate representativeness of areas where persons engaged in informal sector activities tend to live. It is also important to collect data on secondary activities of household members in the same detail as on the main activity, including the criteria used for defining the informal sector. Special probings may be needed with respect to informal sector activities that would otherwise go unreported, such as unpaid work in family enterprises or activities carried out by women on their own account at or from home. To obtain comprehensive data on children working in the informal sector, it may also be necessary to lower the minimum age normally used in the survey for measuring characteristics of the economically active population.

(4) The data collected should be analysed in conjunction with other relevant information obtained from the same survey. In particular, a mutually exclusive breakdown should be made of the economically active population by employment in the informal sector, employment in other sectors of the economy and unemployment. Depending on national circumstances and data needs, information on various forms of atypical or precarious employment outside the informal sector may be obtained along with data on the different forms of employment in the informal sector. For this purpose, all employed persons, whether working in the informal sector or outside, should be classified by status in employment at an appropriate level of disaggregation.

(5) In order to monitor trends in informal sector employment over time, questions on employment in the informal sector should be included at least once a year in existing infra-annual surveys of the economically active population or similar household surveys. Surveys conducted at less frequent intervals (e.g., annually or quinquennially) should include questions on employment in the informal sector in every survey round.

Establishment surveys of informal sector units

19. Data on informal sector units can be collected through various kinds of establishment surveys depending on the measurement objectives, the intended uses of the data, the calendar and structure of the national statistical system, and the availability of sampling frames and resources.

20. (1) In conjunction with an economic census or using the latest economic census as an area sampling frame, special surveys of informal establishments may be conducted to collect specific data on employment, production, income generation and other characteristics of informal sector units and their owners.

(2) For this purpose, the economic census should, in principle, contain the required items for identifying the informal sector units according to the definition set forth in paragraph 8 above. However, as the observation unit in economic censuses is typically the establishment, the reconstitution of

informal sector enterprises on the basis of the available information may not be easy to achieve in practice.

(3) Unless particular measures are taken, the coverage of such surveys of informal sector establishments is limited by the scope of the economic census on which they are based. In particular, coverage typically excludes informal sector units which do not operate in fixed premises designated for the purpose of carrying out production activities or which are not identifiable as such from the outside during the listing operation.

21. (1) While it is generally preferable to cover all types of informal sector activities through a single survey, branch-specific surveys or a series of such surveys may be considered if the measurement objectives are limited to particular kinds of informal sector activities, or if the scale of a single survey is considered too large to be manageable in practice.

(2) In a branch-specific survey, the listing operation should be such as to identify all and only those informal sector units that fall within the scope of the survey. Rules need to be established for informal sector units engaged in different activities, particularly if some of these activities fall outside the scope of the survey.

(3) When the intention is to cover all types of informal sector activities through a series of branch-specific surveys rather than a single survey, the data collection programme should be designed to ensure a comprehensive coverage of informal sector units without omission or duplication between surveys. The timing of the surveys and the methodology to obtain overall aggregates should be carefully planned.

Mixed household and enterprise surveys

22. (1) The basic principle of mixed household and enterprise surveys is to construct a sampling frame of informal sector enterprises through a household survey operation, prior to the informal sector survey itself. The household survey component, if appropriately designed, makes it possible to identify informal sector enterprises rather than establishments, and to cover virtually all informal sector units irrespective of size, kind of activity, and type of workplace.

(2) Mixed household and enterprise surveys are based on area sampling and conducted in two phases: (i) informal sector enterprises and their working owners are identified during the first phase through a household listing or interviewing operation (household survey component); (ii) all or a sample of the business owners thus identified are interviewed during the second phase to obtain information on the characteristics of their enterprises (enterprise survey component).

23. (1) The time interval between the two phases should be kept as short as possible, to minimise loss rates of units.

(2) Informal sector enterprises should be identified on the basis of own-account workers and employers who are members of the sample households. Identification based on employees of informal sector units should be avoided.

(3) In order to avoid omissions, the household survey component may be targeted to all employers and own-account workers, irrespective of the characteristics of their enterprise. The informal sector units are then subsequently identified on the basis of the information obtained from the enterprise survey component.

(4) While information during the first phase of the survey may often have to be obtained from proxy respondents, it is indispensable in the second phase that the business owners themselves are interviewed. Where relevant, these interviews should preferably be conducted at the place of work rather than the place of residence of the household member.

24. (1) Since informal sector enterprises may be owned and operated by members of different households in business partnership, and such partnerships may differ significantly from other units in their characteristics, an appropriate procedure should be adopted, at the selection stage of the informal sector units, or, preferably, at the stage of assigning the sampling weights, to ensure that the resulting statistics are representative of the total survey universe.

(2) For a comprehensive coverage, all informal sector enterprises and their operators in the sample areas or in the sample households should be identified in the first phase of the survey. In particular, businesses operated as secondary activities of household members should be identified on the same basis as businesses operated as main activities. Special probing may also be necessary to identify women and children engaged in informal sector activities on their own account.

25. In order to obtain information on seasonal variations of informal sector activities and to produce annual estimates of the main aggregates, data collection may be spread over a period of a whole year by dividing the sample into independent subsamples for different quarters or months of the year.

26. The nature and efficiency of the survey design of a mixed household and enterprise survey will depend on whether the survey is conceived as (i) an independent survey, (ii) an attachment to an existing household survey, or (iii) part of an integrated survey designed to meet several objectives.

27. (1) In an independent survey, the sampling scheme may be designed to satisfy the specific requirements of informal sector measurement and to ensure an adequate representation of different types of informal sector activities or units in the sample.

(2) A sufficiently stratified sample at the first stage of selection helps avoid the need for differential last stage sampling rates for different categories of informal sector units and facilitates survey implementation in

the field. Using the latest population census, an area sampling frame for the household survey component should be constructed so as to consist of area units of the desired size, stratified as far as possible according to the concentration of households that operate informal sector units. Provided data are available from the population census and retrievable at a sufficient level of geographical detail, the stratification of area units may be based on the concentration of own-account workers and employers by broad industry group. If possible, the type of location of the workplace and, for employers, the number of their employees may also be taken into account.

(3) The household survey component of an independent mixed survey may be restricted to a household listing operation in the selected area units, in which information is obtained on the composition of the household and, in respect of each household member of working age, whether the person operated, as main or secondary activity, any informal sector business during a specified reference period. Basic information on the type of workplace, its location, branch of economic activity, and, if possible, number of employees should also be obtained.

28. (1) If the enterprise survey component of a mixed survey is conceived as an attachment to an existing household survey (e.g. a labour force survey or a household income and expenditure survey) efforts should be made to make up for the limitations resulting from the design and selection of the base survey sample.

(2) The effective sample size of the enterprise survey component may be increased by selecting the sample of informal sector units on the basis of all households identified during the listing operation of the base survey rather than only those selected for the base survey sample. Alternative procedures would be to add, if resources are available, appropriately chosen supplementary areas to the base survey sample, or, if the base survey is of a continuing nature, to cumulate the subsamples of informal sector units over several rounds.

(3) Account being taken of paragraph 23(1) above, the field operations of the informal sector survey should be organised, to the extent feasible, separately from the field operations of the base survey, in particular with respect to training and the choice of interviewers.

29. In developing integrated surveys for the collection of data on the informal sector and other topics (e.g. labour force, household economic activities), the requirements of informal sector measurement can be incorporated, to a greater or lesser extent, into the overall design of the survey, through appropriate methods of sample allocation and selection. The major requirement of the informal sector component is adequate representation of the different types of informal sector activities and units in the sample.

ITEMS OF DATA COLLECTION

30. (1) The type of data to be collected on the informal sector depends largely upon the specific circumstances in each country, methods of data collection, the intended uses of the statistics and the practical feasibility of data collection. For determination of the items of data collection, the main users of the statistics should be consulted and the results of previous surveys analysed or pilot surveys conducted.

(2) In order to enhance the usefulness of informal sector statistics for joint analysis with related economic and social statistics and for the purposes of international comparison, the definitions and classifications of the items of data collected should, as far as possible, be compatible with those used in other national surveys or censuses and correspond to the most recently adopted versions of relevant international recommendations and standard classifications.

31. (1) Account being taken of paragraph 30 above, data may be collected in more or less detail on one or more of the following topics:

(i) Employment and working conditions: number of persons engaged in informal sector units during the reference period by sex, age, place or country of origin, educational attainment, kind of vocational training received, status in employment, occupation, time spent at work and, where possible, other jobs held in or outside the informal sector; number of employees by nature of employment (continuous versus casual) and its regularity as determined by the terms of the respective employment contracts; compensation of employees and its components (wages and salaries in cash or in kind, employers' social contributions), frequency and mode of remuneration, entitlement to paid annual or sick leave, etc.

(ii) Production, income generation and fixed capital: kinds of economic activities performed by the units; frequency of operation (perennial, seasonal, casual); duration of operation during the reference period; outputs produced during the reference period; intermediate consumption; taxes paid on production and subsidies received, if any; property income received and property charges payable in connection with business activities; characteristics of loans taken for business activities; fixed assets owned by the units; fixed capital formation during the reference period; etc.

(iii) Conditions of business operation: legal organisation of the units; type of accounts kept; type of ownership (individual ownership, household ownership, business partnership with members of other households); number of business partners from other households, if any; location (urban versus rural areas); type of workplace: workshop, shop, etc., fixed market or street stall, home of the enterprise owner, no fixed place (e.g. homes of clients, construction sites, mobile); type and number of customers, or proportion of output sold to different types of customers; extent and terms of work performed for other enterprises under subcontracting arrangements; sources of capital for the acquisition of fixed assets; sources of the main goods used

for further processing or resale; type of registration of units; availability of public utilities at the place of work; perceived attitude of the government and local authorities towards the informal sector; participation in informal sector support programmes and kind of assistance received, if any; membership in associations or cooperatives of informal sector producers; problems faced in the creation of enterprises and constraints on their operation or expansion; year of creation and evolution of enterprises; etc.

(iv) Enterprise owners: sex; age; marital status; place or country of origin; period of residence in the present area; previous place of residence, if any; educational attainment; acquisition of skills needed to conduct the business (formal versus informal kinds of training); present occupation; time spent at work in the business during the reference period; engagement in other economic activities; characteristics of other economic activities, if any, and main source of income of enterprise owners; reasons for working in the informal sector; characteristics of previous employment in or outside the informal sector, if any; plans for the future regarding business development or alternative employment; etc.

(v) Households of the enterprise owners: other household members by sex, age, marital status, relationship to the reference person and activity status; employment characteristics of other household members employed in or outside the informal sector; amount and sources of income of the households; etc.

(2) For the purposes of national accounting, the collection of data on the production and incomes generated by informal sector units should aim at providing the elements needed for the estimation of value added, mixed income (operating surplus) and entrepreneurial income as defined in the United Nations System of National Accounts (Rev.4).

(3) Since production activities of informal sector units often overlap with consumption activities of the households of the enterprise owners, efforts should be made in the collection of data on intermediate consumption, property charges and fixed assets to separate usage for business purposes from usage for household consumption. If a clear distinction is not possible, the expenditures concerned should at least be allocated approximately in proportion to the use for business purposes.

(4) In the case of informal sector units engaged in several different kinds of production activities, inputs into production in the form of labour, capital, goods or services, which cannot be clearly allocated to a specific kind of activity, should be distributed in an appropriate way over all activities for which they are used. Such a distribution may be made in proportion to the outputs produced by each activity, or, in the case of labour inputs, according to the time worked in each activity.

(5) The collection of data on characteristics of the households of the enterprise owners enables informal sector activities to be analysed in the context of households as a whole. Such analyses may include studies of the

role of other household members in providing additional income to households and the impact of the household situation on the activities of women in the informal sector.

SUB-CLASSIFICATIONS OF INFORMAL SECTOR UNITS

32. (1) In order to provide information on the composition of the informal sector and to identify more homogeneous groups for analytical purposes, as targets for political action and informal sector support programmes, and as the basis for comparisons of statistics over time and between countries, informal sector units should be sub-classified by various characteristics on the basis of the information collected.

(2) Useful sub-classifications of own-account enterprises and enterprises of informal employers, both the analysis of informal sector statistics at the national level and international comparison, include distinctions according to the following characteristics:

(i) type of ownership: individual ownership, household ownership, business partnership with members of other households;

(ii) type of workplace: home of enterprise owner, other fixed premises, no fixed place;

(iii) relation with other enterprises: independent producers, producers working under subcontracting arrangements for other enterprises;

(iv) kind of economic activity;

(v) location: urban areas, rural areas;

(vi) number of persons engaged (in standard size intervals).

(3) In addition, it may be useful to sub-classify own-account enterprises according to the composition of their workforce, distinguishing one person-units from two-and-more person units and, among the latter, users of occasional hired labour from non-users of such labour.

(4) Depending on the needs of data users and the size of samples, two or more of these characteristics may be combined into more complex classification schemes.

(5) For the purpose of international comparisons, the classification by kind of economic activity should adhere to or be convertible into the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3). For international reporting of the statistics, data should be provided at the level of ISIC tabulation categories, except for tabulation category G which should be further subdivided to separate wholesale trade, retail trade and repair services. For other purposes, data classified according to kind of economic activity may be required in as much detail as is

supported by the size of the samples. To reflect the diversity of informal sector activities, it may be necessary to develop appropriate further sub-divisions of some of the groups which the activity classification commonly used provides at its most detailed level. To ensure the comparability of informal sector statistics with other statistics, any such sub-divisions should be so defined that the data can be aggregated to higher level categories of the classification without cutting across their boundaries. Units engaged in more than one activity during the reference period should be classified according to their main activity which may be defined as that with the largest value added.

MEASURES TO INCREASE RESPONSE RATES AND DATA ACCURACY

33. (1) In view of the particular situation and characteristics of informal sector units and their owners, special efforts should be made in the design and operations of informal sector surveys to increase response rates and help respondents provide the required information as accurately as possible. Such efforts may include (i) the preparation and motivation of respondents through prior information on the survey and its purposes, (ii) a formal guarantee that individual survey data will be treated strictly confidentially and used exclusively for statistical purposes, (iii) the renunciation of methods of inquiry other than face-to-face personal interviews, (iv) the careful recruitment, solid training and performance-related payment of interviewers, (v) the choice of the date and time of the interviews in consultation with the respondents themselves, and (vi) the use of suitable reference periods and appropriately designed questionnaires as further specified in subparagraphs (2) and (3) below.

(2) The reference periods for data collection should be adapted to different questions and activities. For data on employment, production and income generation of informal sector units, the 30 days or the month preceding the interview or, in the case of construction activities, the three months preceding the interview may be envisaged as a suitable reference period. For data on transactions taking place at less frequent intervals (e.g. acquisition and disposal of fixed assets, raising of loans and related payments), it may be more useful to envisage a longer reference period, such as the preceding 12 months. In general, however, all relevant survey questions should be designed to accommodate information for different reference periods, giving respondents themselves the possibility to choose the period for which they are able to report the required data with sufficient accuracy. A conversion of the survey data into monthly, quarterly or annual figures at the data processing stage and a design of the sample according to paragraph 25 above enable informal sector surveys to cover a survey period of a whole year despite the use of shorter reference periods for data collection.

(3) The survey questions should be formulated in a way which refers specifically to the situations being investigated and corresponds to the mentality of the respondents and the manner of carrying out their activities. Different questionnaire modules should thus be designed for different types of informal sector activities or units, and the wording of questions should be

determined in the light of the results of previous surveys or pilot surveys. It may also be useful to include a number of control items in the survey questionnaires for the purpose of making various plausibility and consistency checks on data before completing the interviews.

FURTHER ACTION

34. The International Labour Office should prepare a manual on statistics of employment in the informal sector to provide more detailed technical guidelines on the contents of this resolution and related issues.

UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.3/1993/6
21 January 1993

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Twenty-seventh session
22 February-3 March 1993
Item 4 (a) and (b) of the provisional agenda*

NATIONAL ACCOUNTS AND BALANCES: SYSTEM OF NATIONAL ACCOUNTS (SNA)

IMPLEMENTATION OF THE REVISED SYSTEM OF NATIONAL ACCOUNTS (SNA)

Report of the Intersecretariat Working Group on National Accounts

SUMMARY

The present report on SNA implementation is closely related to the progress report on the SNA (E/CN.3/1993/4) also before the Commission. It has been prepared in response to a request by the Statistical Commission, during its twenty-sixth session, that the Intersecretariat Working Group on National Accounts (ISWGNA) prepare a document setting out a strategy for implementing the revised SNA. The report starts with an introduction that addresses the heterogeneity of implementation issues across a range of countries and certain factors that may have impeded the implementation of the 1968 SNA. The responsibility of individual countries to establish their own priorities with regard to implementation is stressed. The report then discusses means of implementation, emphasizing the improvement of basic data, development of handbooks and manuals, training and technical assistance. Section III reviews the role that ISWGNA can play in promoting implementation, stressing further enhancement of the conceptual framework and coordination of training and technical assistance.

* E/CN.3/1993/1.

93-03907 3749h (E) 080293 10/02/93

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I. INTRODUCTION AND IMPLEMENTATION OF THE 1968 SNA

1. The revised SNA includes a large number of features that represent improvements over the 1968 SNA, particularly the presentation of a complete and integrated set of accounts including transactions, other flows, and balance sheets. However, in many respects, the revised SNA is less a departure from its predecessor than the 1968 version was from the 1954 SNA. It must be recognized that few countries were able to or desired to implement the full 1968 system. This reflected a number of factors including: (1) resource constraints; (2) lack of analytical need for many features of the system; (3) lack of knowledge of the system; (4) lack of technical assistance in both development of basic data and SNA data; and (5) failure to develop an international strategy for implementation that could assist a broad range of countries.

2. In fact, there was little systematic effort directed at the implementation of the 1968 SNA as a new system. While the system was vastly different from its 1954 predecessor, this new orientation was not well reflected in training seminars, manuals and other implementation support. Although many regional meetings, including training workshops, were devoted to the 1968 SNA immediately following its adoption, it was left to the countries and the existing experts, most of whom were familiar only with the 1954 SNA, to implement it. Handbooks were primarily directed towards further development of the concepts, and those practical manuals that were produced sometimes did not go beyond the scope of the 1954 SNA.

3. Implementation will be a major effort for all groups of countries. The OECD countries have only limited experience in implementing some of the features of the new system, particularly financial accounts, holding gains, and balance sheets. Countries in transition from central planning to market-oriented policies must move from the MPS to the SNA in addition to implementing the new features of the revised SNA. Less developed countries have been able to implement only a few features of the 1968 SNA, due, in many cases, to lack of basic statistics. Therefore, a variety of approaches will be necessary.

4. It must be recognized that individual countries bear the responsibility for deciding how, when, and how much of the revised SNA to implement. They must set priorities, allocate resources, and determine which elements are needed. The regional commissions, OECD and Eurostat may have a special role in assessing priorities in groups of countries. It must also be recognized that "implementation" should not mean installing the complete system. Different elements will have different priorities in different countries and will relate to those countries' analytical and policy priorities and needs. All external assistance must respond to those country-determined needs and not apply external criteria for what and how much to implement. However, within these parameters, there is a major role for the international community in the areas of coordination, further conceptual development, training, and technical assistance. The challenges are both technical and financial. There is a

major technical constraint - how to familiarize a new generation of national accountants and their trainers with the new system. Financial constraints are obvious - many countries have experienced declining budgets for statistics and national accounts is one of many worthwhile projects competing for limited statistical resources. Financial constraints also impose substantial limitations on the multilateral and bilateral providers of technical assistance in all areas of statistics.

5. In the light of these constraints and challenges, the role that the ISWGNA can play in implementation is limited but important; the major elements of that role (elaborated in section III below) relate to collaboration and coordination among its members on further development and adaptation of the conceptual framework, production and review of handbooks, and coordination of multilateral and bilateral assistance and training.

6. It must also be noted that the revised SNA is only a conceptual framework; guidance on "how to" is not included in the manual before the Statistical Commission. Many countries, particularly the least developed, will have major difficulties with implementation unless a full range of handbooks is developed.

II. MEANS OF IMPLEMENTATION

7. The content, priorities, and pace of implementation will be different in different countries and will also vary within countries over time; therefore, there cannot be a single strategy for implementing the SNA. There are, however, several broad fronts where progress must be made; in many of these, international effort and coordination will be critical. Of particular importance in this regard are (a) basic data development; (b) handbooks, guidelines, manuals and special studies; (c) training; and (d) technical assistance.

A. Basic data development

8. The Commission will recall that, following the publication of National Accounting Practices in 70 Countries (Series F, No. 26), a survey was carried out by the Statistical Division in 1986. The principal conclusion that emerged from these reviews was that the lack of availability of comprehensive, timely and reliable basic economic statistics severely hampered the development of national accounts in many developing countries. It was further noted that financial and human resource constraints were severe and that this would impede the improvement of data systems in general. Similar views have been expressed by representatives of national statistical offices in all regions of the developing world. Countries of Eastern and Central Europe and the former Soviet Union that are in the process of transition towards market-oriented systems have not yet modified their statistical systems to generate the range of basic data necessary for a full set of SNA-based accounts. In brief, the lack of basic economic data required for SNA-based

accounts constitutes the single most important barrier to timely implementation of the revised SNA. The challenge facing many countries is to improve the flow of basic data for their own particular uses and as an input in the phased implementation of the revised SNA.

9. As there is great diversity of circumstances and stages of statistical development, it would be inappropriate to establish a single set of priorities for the development of basic statistics. A pragmatic approach based on country circumstances and priorities in the implementation of the SNA will be called for. This process can be aided, however, by a sharing of country experiences. Based on a careful review of experiences elsewhere, it should prove possible for the international agencies, and particularly the regional commissions, to elaborate a schematic plan emphasizing the priorities for basic data-collection programs to implement the various elements of the SNA framework. Among the priorities for many countries will be the improvement of survey capacity for households and businesses, and the more effective use of administrative records. This represents the most cost-effective approach to generating basic data that can serve as inputs for SNA in many developing and transition economies. Improved basic data in certain areas will also increase countries' ability to use indirect methods for estimating certain components of the SNA. Properly used, indirect estimation, making use of identities and relations within the SNA, is one of the strengths of the system. Development of computer software to aid compilation and the use of estimations will also facilitate implementation of the SNA.

B. Handbooks, guidelines, manuals and special studies

10. It is recognized that the SNA is a conceptual document and is not intended to provide practical guidance for implementation. Such practical guidance must be provided, however, and therefore handbooks and compilation guides are essential for national accountants to concretely implement the revised SNA. At present, a number of handbooks are in preparation. However, their finalization necessarily had to wait until the SNA concepts and guidelines were completed, as each handbook deals with these revised concepts. It is expected that in the year after approval of the SNA, the following handbooks will be circulated by the Statistical Division for comment: Input/Output, SNA for Transition Economies, SNA Compilation, and Household Sector Accounts. A provisional version of the United Nations Handbook on Economic Environmental Accounts will be published in 1993, as will the IMF Balance of Payments Compilation Guide. Other handbooks are in the design stage - particularly on SNA under conditions of high inflation and enterprise accounts. The development of handbooks has been and is also likely in the future to be constrained by limited financial resources.

11. In addition to the handbooks, the development of manuals in related statistical fields can play a major role in SNA implementation. The fifth edition of the IMF Balance of Payments Manual (BOPM) will be published in 1993. The BOPM has been almost completely harmonized with the revised SNA and thus the balance-of-payments statistics compiled according to BOPM

recommendations can be used directly to compile the SNA rest of the world accounts. IMF manuals on financial statistics and government finance statistics will also be revised in the coming years, and one of the principal criteria for revision will be harmonization with the SNA and use of the data compiled as inputs for the relevant SNA sector accounts.

12. Countries are also urged to prepare studies on specific issues and their own implementation experiences. These can be given wide dissemination, perhaps through the ISWGNA.

C. Training

13. Training national accountants is also a central issue for timely and effective implementation of the revised SNA. It is clear that there will be a large demand for the training of national compilers in the new system but it will also be necessary, as a priority, to train in the new system those specialists in national accounts who are currently providing technical assistance to countries through international, regional and subregional organizations.

14. Organization of training sessions, courses, workshops and seminars will be necessary as a primary method of acquainting national accountants with the new system. These training activities will have to be carried out at national, regional, and world-wide levels. In the early stages, they will deal with the general features of the revised SNA, but training in specific areas such as sector accounts and the subjects of individual handbooks will also be needed. The support of training will require the development of a broad range of materials, including courses and textbooks, specific training materials, lectures and presentations that could be used in various venues (including videotaped presentations by specialists) and software.

D. Technical cooperation/assistance

15. Technical cooperation/assistance on a large scale will be necessary to introduce the new concepts of the revised SNA in individual countries, to aid in the development of necessary basic statistics, and to help in the development of country specific priorities and work plans for implementation. It must be recognized that in practice there are multiple reciprocal influences between the implementation of the SNA and the development of the more basic elements of the statistical system, and these influences vary from country to country. In all cases, technical cooperation/assistance must respond to the expressed analytical needs and priorities of countries. This applies both to the elements of the SNA to be implemented and to decisions as to how much of the system to implement.

16. While recognizing that national accounts projects must be tailored to the specific needs and circumstances of countries, some common features of assistance projects can be identified. These include: (i) identification of

policy and analytical needs, and determination of priorities; (ii) design of a national accounts compilation framework that identifies concepts and classifications to be developed, and a work plan for implementation of the framework; and (iii) evaluation of the basic statistics that will be necessary to implement the SNA framework, and development of a work plan (and possible parallel technical assistance) to assure the improvement in basic data.

17. For technical assistance, the priority for national accounts projects should be on statistically less developed countries and transition countries; in both cases, implementation of the SNA must be paralleled by substantial improvements in basic data.

III. ROLE OF THE ISWGNA IN IMPLEMENTATION

18. The Working Group on International Statistical Programmes and Coordination, at its fifteenth session, in reviewing the mechanisms for coordinating the development of global statistical standards, noted the role that the ISWGNA had played in the SNA revision process. It noted that the particular approach had been effective in coordination of the work and suggested that similar arrangements be considered for other areas of methodological work. The Working Group went on to recommend that the ISWGNA should have a continuing role in the national accounts area beyond the completion of the present revision (see annex).

19. Assuming that the Commission finds the Working Group's recommendations acceptable, the ISWGNA would like to offer a number of suggestions concerning future work in national accounting, which involve a joint work programme as well as coordinating cooperation among international agencies. These cover (a) the publication of the revised SNA; (b) enhancement of the conceptual framework and future revisions; and (c) implementation of the revised SNA. It must be recognized that the suggestions that follow will require substantial new resources that have not yet been committed by the ISWGNA organizations. The views of the Commission will therefore be necessary on the desirability of adopting such an approach to implementation and seeking the agreement of the participating organizations to such a new and large commitment.

A. Publication of the revised SNA

20. The most immediate task after the present session of the Commission is, of course, the publication of the SNA document. The Commission has before it a virtually complete draft of the revised SNA. In a separate paper before the Commission (paper produced by the December meeting) the ISWGNA reports on a number of the most important conceptual changes in the system that have engendered substantial discussion. In this paper, the ISWGNA makes specific recommendations on the treatment of these issues. On the assumption that the Commission adopts the revised SNA, the text will need to be revised and finalized on the basis of its decisions. This will require careful drafting by the authors, as well as editing and cross-referencing to assure consistency

throughout the document. The ISWGNA is currently discussing the most efficient manner of designing, composing and printing the document; a verbal update will be provided during the Commission session. It is presently envisaged that the revised SNA will be published in at least three languages before the end of 1993, with editions in other languages following in 1994.

B. Enhancement of the conceptual framework

21. The need for further work on the enhancement of the conceptual aspects of the system has been recognized in many fora. Keeping the SNA updated and current will require continuous work, entailing research into those complex and contentious issues that have not been fully resolved in the current revision process. Beyond such work, a number of new and emerging issues which will require action are identified in the report of the Interregional Seminar on the Revision of the SNA (see paras. 142 and 143). Work will also be required on refining the recommendations now embodied in the draft in the light of experience, as implementation of the system proceeds.

22. The ISWGNA could address the issues described above by working closely with national statistical offices that have relevant experience and interest. In addition, the ISWGNA could arrange special regional/interregional consultative meetings of national officials and other national accounts experts at periodic intervals in order to both review research findings and to identify new areas of work. Many of the emerging issues will also be taken up by the members of the ISWGNA in their own work programmes, as these issues will undoubtedly impact on their operations. It is further suggested that the ISWGNA could report regularly to the Statistical Commission on developments relating to conceptual issues and, when appropriate, recommend changes and enhancements to parts of the framework. It is envisaged that the framework will need revision at more frequent intervals than in the past. Adoption of the preceding strategy would mean that the global statistical community would not have to wait 25 years for the next SNA revision, nor would it have to wait for a complete revision to capture major innovations in national accounting.

C. Implementation of the revised SNA

23. For effective implementation to take place, substantial efforts will be required in the areas addressed in section II of the present report. The ISWGNA can play a major coordinating role in a number of these areas, especially in the development of handbooks and manuals, the coordination of technical assistance and training.

Handbooks and manuals

24. The ISWGNA has given considerable attention to the need for handbooks and has identified a range of handbooks that appear desirable. Work has begun on a number of these, particularly within the Statistical Division (see paras. 10 and 11 above). Discussions at regional commission meetings and at the recent

Interregional Meeting confirmed the urgency for these handbooks. Progress to date in the preparation of handbooks has been limited by several factors. As the task of completing the revision received the highest priority, work on the handbooks was assigned a lower priority. Furthermore, resource limitations, both human and financial, precluded extensive effort. As the revision process progressed, it became apparent that it would be premature to finalize handbooks until the substantive revision was completed.

25. The work on handbooks needs to be addressed systematically and the ISWGNA suggests for the consideration of the Commission that: (a) the ISWGNA play a coordinating role in the identification of necessary handbooks, and the production of handbooks and compilation guides; (b) the ISWGNA seek the assistance of national statistical agencies in funding costs through voluntary contributions and/or through assuming responsibility for the production of the handbooks under guidelines developed by the ISWGNA; and (c) in some cases, the organizations of the ISWGNA undertake directly the production of handbooks and compilation guides.

26. There will also be a special role for the development of manuals in other areas of statistics that can provide inputs into national accounts. The ISWGNA can promote the development of such manuals, and try to ensure that they are harmonized as closely as possible with the conceptual framework of the SNA.

Technical cooperation/assistance and training

27. It must be recognized that resources for technical cooperation/assistance and training programmes will continue to be limited. It is therefore imperative that all available resources from multilateral and bilateral sources be used efficiently and in a cost-effective manner. There is a need to ensure that there is a minimum of duplication of efforts and that all available resources are husbanded and efficiently deployed. The need for effective coordination is most important and could be provided by the ISWGNA.

28. The ISWGNA could act as a coordinating body and, in pursuit of this goal, could collate information on assistance delivered for improvement of national accounts as well as on all courses that will be available. The ISWGNA could also act as a clearing-house by considering major requests for assistance put together by the regional commissions on the basis of country submissions. In training, the ISWGNA could act as a catalyst in identifying appropriate curricula, particularly in assuring that methodological changes are reflected in training courses. The regional commissions could have a special role in the development and implementation of training courses at the regional and subregional levels; this would be particularly important with respect to the training of trainers who would work at national and regional levels. Another useful role could be played by publication of a newsletter that would provide the means for sharing country experiences in implementing the SNA. Finally, the ISWGNA could report regularly to the Commission on the implementation of the SNA; this would not preclude any individual member organization of the ISWGNA from reporting to the Statistical Commission on implementation aspects of its own work programme.

IV. GUIDANCE SOUGHT FROM THE COMMISSION

29. The Commission, when discussing the overall strategy for implementing the revised SNA, may wish to provide guidance on:

(i) The organization of the SNA implementation process and in particular the role of the Inter-Secretariat Working Group on National Accounts (ISWGNA) in this process, in the light of the terms of reference given to task forces by the Working Group of the Statistical Commission;

(ii) The priorities and orientation of the work on SNA implementation, particularly with regard to basic data development, training, elaboration of handbooks, guidelines, manuals and other special studies, and technical cooperation/assistance.

Annex

TASK FORCE ACTIVITIES

The Working Group on International Statistical Programmes and Coordination, at its fifteenth session, identified six statistical areas in which review was considered a priority and established task forces to carry out reviews. One of these areas was national accounts, and the Working Group noted that a task force mechanism in the form of the ISWGNA already existed. The terms of reference given to the task forces were:

(i) Determine in the specified area, work being done by the involved organizations on methods, collection, compilation, processing and dissemination and technical cooperation, although it was recognized that technical cooperation may not lend itself to treatment in a subject-by-subject way but may need to be reviewed in an integrated way;

(ii) Assess problems, duplication, weaknesses, imbalances and priority gaps;

(iii) Study how to carry out an evaluation of the quality of the statistics in the outputs, and carry out such an evaluation as far as possible;

(iv) Review the publications issued by each organization in the field of statistics and make recommendations, taking account of the needs of the range of users;

(v) Take agreed actions to improve the system-wide work in the area, including its coordination;

(vi) Report to the Working Group at its next session on actions taken and/or present proposals and unresolved issues for action by the Working Group.

The Working Group noted that task force work on national accounts would not start until the ISWGNA had completed work on the revision of the SNA. Therefore, the ISWGNA will address the points raised by the Working Group after the publication of the revised SNA in 1993.

UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.3/1993/7
13 January 1993

ORIGINAL: ENGLISH

Statistical Commission
Twenty-seventh session
22 February-3 March 1993
Item 5 (a) of the provisional agenda*

INTERNATIONAL ECONOMIC CLASSIFICATIONS

IMPLEMENTATION OF THE INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION OF ALL ECONOMIC ACTIVITIES (ISIC), REV.3, AND THE PROVISIONAL CENTRAL PRODUCT CLASSIFICATION (CPC)

Implementation of ISIC, Rev.3, the provisional CPC and other classification work

Report of the Secretary-General

SUMMARY

The present report (a) reviews work carried out as well as work still to be accomplished to implement the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.3, and the provisional Central Product Classification (CPC); (b) describes the inventory of statistical classifications maintained by the United Nations Statistical Division; and (c) outlines additional development work to be done on functional classifications.

Section I deals with the work on economic classifications carried out over the past two years by the Statistical Division of the United Nations. It first reviews the development of correspondence tables between ISIC, Rev.3, CPC, SITC, Rev.3 and HS (paras. 4-5); the indexes to ISIC, Rev.3 (paras. 6-8);

* E/CN.3/1993/1.

and the links between ISIC, Rev.3 and the activity classifications used in the past by transition economy countries (paras. 9-13). It then presents the results of a recent survey on the use of ISIC and CPC (paras. 14-29), reviews the non-statistical uses of CPC (paras. 30-31) and provides information on the Statistical Division's inventory of existing international statistical classifications (para. 31).

Section II deals with future work on classifications. It reviews further work on ISIC, Rev.3 and CPC (paras. 35-37) and makes a number of detailed proposals for work on functional classifications, taking as its point of departure the outline of functional classifications developed as part of the revised SNA (paras. 38-42).

Section III presents points for discussion by the Commission (para. 43).

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INTRODUCTION

1. The Statistical Commission, at its twenty-sixth session, endorsed the work on international classifications and reconfirmed the request made at its twenty-fifth session that the Secretary-General submit to the Commission, at its twenty-seventh session, a progress report reviewing national and international requirements and actual work carried out to implement the third revision of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3) and the provisional Central Product Classification (CPC). 1/ The Commission also strongly endorsed the proposed work on developing indexes, conversion keys, correspondence tables and related aids for the implementation of ISIC, Rev.3, and the provisional CPC, in close cooperation with other international organizations and Member States. 2/ The present report has been prepared in response to both the requests of the Commission and its endorsement of the above-mentioned work proposals.

I. ISIC, Rev.3, CPC AND RELATED WORK

A. Implementation of ISIC, Rev.3 and CPC

2. At its twenty-fifth session, the Statistical Commission, in approving ISIC, Rev.3 3/ and the provisional CPC, 4/ requested that additional correspondence tables be worked out to show the relationship between each of the four classifications: ISIC, Rev.3; the provisional CPC; the third revision of the Standard International Trade Classification (SITC, Rev.3); 5/ and the Harmonized Commodity Description and Coding System (HS) 6/ developed by the Customs Cooperation Council (CCC).

3. At its twenty-sixth session the United Nations Statistical Commission emphasized the importance of updating the indexes to ISIC, Rev.3. 7/

1. Correspondence tables between ISIC, Rev.3, CPC, SITC, Rev.3 and HS

4. The work on the correspondence tables is being carried out on the assumption that these tables are intended to facilitate work on compilation and analysis of statistics. For example, the correspondence tables can assist in the compilation of national accounts and related analyses when data from different statistical sources must be brought together for joint analysis. In particular ISIC, Rev.3, CPC, SITC, Rev.3 and HS need to be used jointly in the following instances:

(a) The link between CPC and HS and SITC, Rev.3 is needed for the compilation of national accounts and related analyses, when reconciling data on supply and use of products at the detailed product level. For this compilation, a link is needed between the domestic and external supply of products (production, imports) and their use (exports, consumption and capital formation);

(b) The link between CPC and ISIC, Rev.3 is needed for detailed product/production studies, which are generally based on input-output tables. Specifically, the link is needed to convert a rectangular supply and use table, with industries in the columns and products in the rows, to a square input-output table, which is required for input-output analysis;

(c) The link between CPC, ISIC and SITC, Rev.3/HS is needed to correlate domestic production and foreign trade analyses, and in particular to determine, at the detailed product level, the extent to which domestic production and use is dependent on foreign trade (exports and imports) of a given country.

5. The Statistical Division is developing four distinct correspondence tables sorted according to ISIC, Rev.3, CPC, SITC, Rev.3 and HS. The sorted tables contain codes and corresponding titles of all categories at the different levels of detail for each of the classifications. Each of the correspondence tables includes one column for the classification on the basis of which the table is sorted, called the master classification, and three additional columns for each of the other three classifications. The additional columns include the elements of each other classification that correspond to each item of the master classification. The correspondence tables not only identify links at the most detailed level of the master classification but also permit identification of links between aggregated groupings of the master classification and elements of the other three classifications. The correspondence table based on HS will be treated as the master table. Each of the other three correspondence tables is derived by resorting in a computerized manner the elements of the HS master table on the basis of the column corresponding to one of the other classifications. Future amendments to one or more of the classifications will first be incorporated in the correspondences shown in the HS master table and then reflected in the three other correspondence tables by computerized resorting.

2. Indexes to ISIC, Rev.3

6. Work on the alphabetical and systematic indexes to ISIC, Rev.3 is being carried out by recoding the indexes of ISIC, Rev.2 8/, 9/ to the Rev.3 codes, on the basis of the correspondence tables included in the ISIC, Rev.3 publication. Several steps and various considerations are involved in developing these links.

7. With regard to transportable goods, most items of the alphabetic and systematic indexes to ISIC, Rev. 2, dealing with the production of transportable goods, have been left unchanged. Some items have been deleted by comparing the ISIC, Rev.2 list to some of the major national indexes existing in the English language. Activity categories that were not found in any of the comparable national indexes have in most cases been deleted.

8. A different procedure has been used for updating the part of ISIC, Rev.3 dealing with the production of non-transportable goods and services. First, the codes have been again updated on the basis of ISIC, Rev.3. However, in

addition, a considerable number of activities mentioned in the explanatory notes to the ISIC, Rev.3 have been added. For these service activities the concordance with ISIC, Rev.2 is sometimes difficult to establish, since in many service areas rapid and recent transformations have taken place. In such cases the level of detail between ISIC, Rev.2 and ISIC, Rev.3 is hardly comparable, and the reference to ISIC, Rev.2 cannot be more precise than its classification framework permits. Examples of such problematic areas are: Construction 5000 vs. 4510-4550; wholesale trade and retail sale 6100, 6200 vs. 5110-5190, 5211-5259; education 9310 vs. 8010-8090; health 9331 vs. 8511-8519.

3. Application of ISIC, Rev.3 and CPC in transition economy countries

9. Various kinds of economic activity are classified differently in ISIC, Rev.3 and the Classification of the Branches of the National Economy (CBNE) 10/ of the former Council for Mutual Economic Assistance (CMEA). During the 1980's the Conference of European Statisticians of the Economic Commission for Europe (ECE), together with the Standing Commission on Cooperation in the field of statistics of the former CMEA, worked cooperatively on developing two-way conversion keys as practical instruments for linking the two classifications. They established simple links between activity groups of the two classifications, based on a selection of the optimum level of aggregation.

10. In 1981 the Secretariat of the former CMEA, the Committee on Social Information of Bulgaria and the Central Statistical Office of Finland agreed to conduct a joint experiment on practical testing of draft conversion keys. After completing the experiment in 1983, the ECE secretariat circulated the conversion keys to countries for comments. As a result, a United Nations publication was issued in 1985. 11/ The general principle for the conversion of data consisted in identifying in the converted classification primarily those types of activity which were accounted for in a different manner in the basic classification.

11. Given the dramatic changes which have since occurred in the economic systems of Eastern Europe and in the former USSR, and in view of the recent revisions of both ISIC and CBNE, a need has emerged to revise previous policies and modify the conversion tables. Therefore, a detailed draft of a correspondence table between ISIC, Rev.3 and CBNE has been prepared by the Statistical Division and has been circulated widely for comments. The purpose of the draft correspondence table is to facilitate implementation and use of the new ISIC, Rev.3 in countries that have been using the CBNE but would like to switch to the ISIC, Rev.3, and to ensure that the process of changing to the new classifications shall be as orderly as possible.

12. The draft correspondence table has received support from several transition economy countries and from a number of international organizations. In general, the table has been found useful, since it has enabled transition economy countries to introduce, via the link between their

national classifications and the CBNE, the revised international standards embedded in ISIC, Rev.3. It has also been considered useful for various types of statistical analysis requiring time series spanning the period before and after the transition.

13. Some countries have expressed concern that in the conversion table additional breakdowns have been introduced into both ISIC, Rev.3 and CBNE to create similar groups that have been developed at the lowest level of each classification. On the one hand, this makes the change to the new classification more transparent and easier to manage for computer applications. On the other hand, these additional breakdowns have exceeded the minimum required to achieve correspondence between the two classifications. Moreover, the resulting new subgroups in both ISIC, Rev.3 and CBNE may make statistical observation difficult as many of them are hard to identify and separate. It has also been pointed out that there is no longer any need for a two-way conversion from CBNE to ISIC, Rev.3, since transition economy countries intend to adopt United Nations recommendations in sectoral classifications.

B. Evaluation of uses

1. Survey questionnaire on the uses of ISIC, Rev.3 and CPC

14. In compliance with the request of the Statistical Commission to review national and international work and the needs of countries in the field of implementation of ISIC, Rev.3 and the provisional CPC, 1/ the Statistical Division developed a questionnaire that was sent to national statistical offices with the intention of collecting information on the use, objectives and needs of countries in relation to ISIC, Rev.3, Provisional CPC and SITC, Rev.3. The responses were expected to help both the Statistical Division and the Commission to shape international work on statistical classifications, related methodology and technical cooperation.

15. The questionnaire consisted of four parts. Part I dealt with the national activity of industrial classifications and how they related to the ISIC, Rev.3. Part II asked for information on product classifications used for production, international trade and other purposes and their link to the provisional CPC. Part III contained questions concerning the treatment of services in the two classifications. Part IV sought to gather information on national needs, practices and experiences with the SITC, Rev.3, and its correspondence with the HS developed by the Customs Cooperation Council.

16. The questionnaire was drawn up in a way that made it as easy as possible to complete. In many cases a "yes" or "no" answer was sufficient; other questions asked for brief descriptions or specifications. In anticipation that in some countries more than one office might be responsible for completion, the questionnaire was designed for easy dispersion.

17. As of mid-December 1992, 75 countries or areas had replied to the survey. This represents a 40 per cent response rate.

18. The results of the survey have been summarized below in three separate tables and subsections. Table 1 and subsection (a) deal with organization of classification work, table 2 and subsection (b) deal with ISIC, Rev.3 and table 3 and subsection (c) present the results of the survey in so far as CPC is concerned.

(a) Organization of national classification work

19. The survey results concerning organization of the classification work (see table 1) show that, except in a few countries, national statistical offices are the responsible agents for maintaining activity and product classifications. Half of the countries report that they have a separate unit handling economic classifications, with an average staff of eight.

Table 1. Organization of national classification work

Topic	Countries or areas responding "yes"	
	Number	Percentage
Agency responsible for maintaining classifications:		
National statistical office	66	88
Others	7	9
Both	2	2
Availability of a separate classification unit within the statistical office	38	50
Availability of a coordinating mechanism for the harmonization of national classifications	42	56

20. More than half of the countries report that they have established a coordinating mechanism for the harmonization of economic classifications. Coordination of work in the field of economic classifications and harmonization of classification systems have been carried out in most cases by the national statistical office. This has been done on the basis of law assignment, in collaboration with selected central bodies of the state administration and with users of statistics. Some countries have found it useful to establish coordinating activities for specific subject matters only, in the form of task force groups established to discuss and formulate solutions to issues and problems that may arise. Only a few countries have created coordinating mechanisms on classification systems at the intergovernmental level.

(b) ISIC, Rev.3

21. Results of the survey concerning the implementation of ISIC, Rev.3 (see table 2) indicate that a majority of the countries surveyed use an ISIC-based type of activity classification. The remaining 19 countries do not currently use the ISIC. Most countries (49 per cent) using ISIC as the basis for their national classifications have derived them from the four-digit level of ISIC; the three-digit level is used by 11 countries (15 per cent); the two-digit level is used by 8 countries (11 per cent) and 1 country (1 per cent) uses the one-digit level. Two countries use ISIC, Rev.3 without modifications as their national classification.

22. Regarding the use of ISIC or ISIC-based classifications, 39 countries (52 per cent) indicate that they use their own ISIC-based classification for both internal and international purposes, while 20 countries (27 per cent) indicate that they use their own ISIC-based classification for international comparisons and international reporting purposes only.

23. ISIC-based classifications are being used by national statistical offices in the following fields: agricultural statistics, industrial statistics, national accounts statistics, service statistics, labour and demographic statistics, price statistics, wholesale and retail trade statistics, construction statistics, transport and communication statistics, and so on. National activity classifications are being used for sample surveys, census-type surveys, data-collection methods and for the collection of data through administrative records. The majority of responding countries use registers to classify statistical units. Based on the register, most data are collected by the national statistical offices for both enterprise-type and establishment-type units.

Table 2. Implementation of ISIC, Rev.3

Topic	Countries or areas responding "yes"	
	Number	Percentage
Availability of ISIC, Rev.3 publication at the statistical office	64	85
Kind of activity classification used in national statistical office:		
National classification other than ISIC-based	19	25
Classification derived from ISIC, Rev.1	4	5
Classification derived from ISIC, Rev.2	32	43
Classification derived from ISIC, Rev.3	20	27
Problems in using ISIC	23	31
Need for technical advice and cooperation in the process of implementation of ISIC, Rev.3	26	35
Availability of a register of statistical units for data collection	65	87
Type of observation units for data collection:		
Enterprise-type units	4	5
Establishment-type units	13	17
Both	58	77

24. Among the problems that have been reported by countries in using ISIC for national purposes are the following: for some local types of activity more detailed breakdowns are required than the ISIC's four digits can provide; a number of categories of ISIC do not represent the organization of certain economies; some parts of ISIC are too detailed, others too aggregated. Problems occur mostly in the area of service statistics, such as retail trade, sales of motor vehicles, car rentals, and so on. Some countries where tourism is a dominant sector of the economy require a specific classification for tourism activities.

25. It should be noted that ISIC, Rev.3 is not an all-inclusive activity classification and that all international classifications represent compromises. In general these classifications are structured in a way that allows different countries to adapt them to their particular requirements.

26. Results of the survey indicate that 26 countries wish to receive technical assistance in the area of activity classifications. In most cases some assistance is required in changing over from ISIC, Rev.2 to ISIC, Rev.3 in such a way that data coded under the new classification are easily transformed and are comparable to those based on ISIC, Rev.2. Consultancy assistance has also been requested in the definition of statistical units, the construction of activity classifications, the coding systems, the treatment of difficult borderline cases, and so on. A number of requests for training have also been received.

(c) CPC

27. The results of the survey concerning the implementation of provisional CPC (see table 3) show that countries consider the provisional CPC to be a useful tool for the presentation of the structural data on goods and services. The provisional CPC has also been found useful for the purposes of international comparability and harmonization of product data, as was indicated in several replies. However, some countries have found that better correspondence is needed between activities and products for some specific analyses based mostly on input-output tables; the provisional CPC is too similar to customs classification and therefore the service part needs to be further elaborated; a few inconsistencies exist in the contents of the provisional CPC, especially in its services part; businesses have been unable to provide information for some categories; and some categories are not statistically significant.

28. Of the responding countries, 28 have developed and use their own national product classifications, 15 use ISIC-based commodity codes and 9 have no product classifications. Concerning the intentions of countries to use the provisional CPC as the basis for their national product classifications, 24 responding countries envisage utilizing it, 14 have rejected the idea of using it and 37 countries are not sure whether or not they will use it in such a capacity. Most countries plan to apply CPC-based classifications in the fields of industrial, service and national accounts statistics, using sample surveys and census-type data collection. As for assistance in the implementation of the provisional CPC, 18 responding countries have indicated the need for technical advice or cooperation.

Table 3. Implementation of the provisional CPC

Topic	Countries or areas responding "yes"	
	Number	Percentage
Availability of the provisional CPC publication at the statistical office	48	64
Type of product classification used in national statistical office:		
National product classification	28	37
Provisional CPC	2	3
ISIC-based commodity codes	15	20
None	9	12
Others	21	28
Intention to use the provisional CPC	24	32
Problems in using the provisional CPC	11	15
Need for technical advice/cooperation in the process	18	24

2. Non-statistical uses of CPC

29. Since the provisional CPC was issued by the United Nations as an official publication and distributed world wide, a number of non-statistical organizations from different countries have requested it. For the most part these have been organizations closely linked to business circles, such as chambers of commerce, business associations, and procurement offices dealing with international shipments of goods and providing services world wide. According to their requests, these organizations have found the provisional CPC a useful tool, as it is a general-purpose classification that may be used for non-statistical purposes. They have indicated that the special feature of the provisional CPC that provides a detailed description of services has facilitated the creation of databases for their various business activities in a more unified manner. The Statistical Division is expected to receive more detailed information on the actual results of provisional CPC use in this field of operation.

30. Some international organizations have also expressed an interest in using the provisional CPC for non-statistical purposes. For example, in the United Nations Industrial Development Organization (UNIDO), the General Service Division of the Department of Administration processes a substantial number of purchase orders and contracts annually. UNIDO has indicated its intention to incorporate the provisional CPC into both its vendors roster and the inventory records which will be made a part of the vendors roster. The amount of processing and tracking of information involved, as well as the management of procurement and contracting activities, have together generated the need for a computerized solution. The provisional CPC, as a basic tool, integrates both goods and services into a single framework that is particularly suited to the needs of UNIDO.

C. Related activities

31. The Statistical Division is maintaining an inventory of statistical classifications, which was developed originally in response to a request by the Conference of European Statisticians (CES). Since April 1991, the date of its completion by the Statistical Division and its issuance as a CES document, 12/ it appeared that by publishing the inventory as an official United Nations document the United Nations could render a major service to both users and producers of statistics. The inventory now provides information on 57 statistical classifications, that is, the major economic classifications; population, housing and health classifications; and other classifications. The inventory of classifications was developed by the Statistical Division of the United Nations, in consultation with other international organizations and agencies that were producers of statistical classifications, and the Statistical Division will remain responsible for its continuous updating. A revised version of the inventory of statistical classifications, along with a request for updating and providing final comments prior to publication, will be circulated to organizations and agencies in 1993. It is intended to include periodic issues of this

publication in the regular programme of publications of the Statistical Division of the United Nations. Such issues will include updates and/or expansions of the list of classifications, to be compiled in close consultation with other international agencies responsible for classifications.

II. FUTURE WORK ON CLASSIFICATIONS

32. An important part of the activities of the Statistical Division in the area of economic classifications will be to continue and finalize the present work in support of ISIC, Rev.3 and CPC. In addition, it is proposed that work be initiated on functional classifications following the orientation presented in the revised SNA.

33. Paragraphs 34-41 below present a proposal for a programme on classifications to be executed in the context of the overall work of the global statistical system. In view of the limited resources of the Statistical Division of the United Nations and other international organizations active in this field of work, future work on classifications will need to be divided up between different international agencies, based on their specific expertise and the availability of human and financial resources. As ISIC, Rev.3, CPC, SITC, Rev.3 and HS are closely interrelated, it is essential that the statistical offices of international organizations, as well as individual countries with practical expertise, cooperate closely in their development.

A. Further work on ISIC, Rev.3 and CPC

34. The four correspondence tables between HS, ISIC, Rev.3, provisional CPC and SITC, Rev.3 are intended to be disseminated in a printed version as well as in a software version on PC diskettes. The software version is being developed in the database programme Paradox 3.5. Using such commercially available software should facilitate the ability of countries to convert their database from one classification to another. A limited number of copies of the draft correspondence tables in printed format are expected to be available for circulation to the members of the Commission and other participants at the current session.

35. Considerable changes in industrial structure and technological production processes have taken place since the indexes to ISIC, Rev.2 were developed, and it is recognized that the recoding of the indexes from ISIC, Rev.2 to Rev.3, as well as some minor adjustments made to date, will not be sufficient for operational use of the ISIC, Rev.3 index. It is therefore the intention of the Statistical Division to carry out further work on the indexes and apply more systematic changes to both the wording of the categories and the contents of the indexes.

36. It is proposed that, based on the comments received through the questionnaire on classifications and other channels, the provisional CPC be amended with a view to preparing a final draft version for presentation to the

Commission at its twenty-eighth session. The Voorburg Group on Services Statistics has agreed to assist the Statistical Division in this work.

B. Development of classifications for functional analysis

37. The revision of the System of National Accounts (SNA) 13/ implies new directions for classification work that may be relevant not only for national accounting but also for related areas of statistics and analysis based thereon. It is proposed that this new orientation in national accounting and related statistical work be reflected in additional classification activities. There are a number of features of the revised SNA which will determine the future direction of such classification work. The revised SNA, as distinct from national accounting practices based on the 1968 version, is a comprehensive system of analysis, which not only deals with production and specifically input-output analysis of the type supported by ISIC/CPC, but also includes many more types of analysis, such as income distribution and financial analyses, in which institutional sectors, in addition to activity breakdowns, play an important role. Furthermore, the revised SNA - through its chapters on applications of the system to special circumstances and analytical needs, satellite accounts and functional classifications - emphasizes the use of the system as a point of departure for alternative analyses of special socio-economic concerns and policies in the areas of environmental degradation and depletion, health, education, culture, research and development, population and family planning, informatics, social protection. These special analyses will need to be reflected in further work on ISIC and CPC, and in additional work on functional classifications of expenditures.

38. A first implication of the orientation of statistics and analysis described above is that further attention will need to be devoted to the development of institutional sector classifications, with particular emphasis on subsectors and the corresponding statistical units. The revised SNA includes the basic subsectoring. However, if countries wish to carry out studies dealing with details of individual sectors, particularly in respect of households and non-financial corporations, further breakdowns may need to be elaborated as part of an international classification of institutional sectors. Such classification may not only be useful for national accounting but may be utilized for other types of analysis outside national accounting. For instance, income distribution and poverty analysis would require a further breakdown of the household sector, financial analysis would require a further breakdown of the non-financial and financial corporate sectors and studies focusing on the public sector might require further breakdowns of the public sector.

39. Furthermore, future work on classifications will need to emphasize the development of functional classifications of expenditures. Such classifications would facilitate the identification of expenditures which are made by sectors of the economy in response to some of the concerns mentioned. In the revised SNA 13/ it is suggested that four types of functional

classifications be developed, namely, a "Classification of Household Expenditures by Purpose (COHEP)", a "Classification of Functions of Government (COFOG)", a "Classification of Purposes of Private Non-Profit Institutions (COPPI)" and a "Classification of Outlays of Market Producers by Purpose (COMPP)". These four classifications would be considered as special elaborations of a common functional classification which would be adjusted to the needs of selected sectors and their transactions. The commonality of the classifications would facilitate studies related to selected socio-economic concerns (e.g., health, education, environmental depletion and degradation) in which there is a need to identify expenditures made by several sectors of the economy, including government, households, non-profit institutions and enterprises, in order to assess general progress in these socio-economic areas in quantitative terms. At the same time, sector-specific classifications that would respond to specific analyses would be needed. In the case of "COHEP" the analysis would be focused on household consumption expenditures; "COFOG" would deal with all expenses of the government and "COPPI" with those of private non-profit institutions, including not only expenditures covered in consumption but also transfers, loans and other purchases of financial assets; and "COMPP" would deal with analysis of production costs and capital formation of market producers. Further study is needed in order to determine if a variety of socio-economic concerns could be handled by one common functional classification of expenditures, or whether a master functional classification will have to be developed, together with standard alternative groupings of the categories of this master classification, each responding to specific concerns.

40. As socio-economic objectives in government and other policies are pursued through production activities, analysis of the impact of such policies requires that supporting production activities and products be identified in ISIC and CPC. For instance, if educational policies are pursued by the Government, there is a need to determine which specific industries and products will be needed to support such policies, as well as what effect such policies will have on production and the generation of income and employment in those areas of production. Similarly, if the Government pursues environmental policies, recycling and other environmental protection activities supporting such policies will need to be identified in ISIC and CPC. The same argument holds with regard to policies responding to other socio-economic policies dealing with poverty eradication, family planning, research and development, improvement of housing conditions, defence activities, promotion of economic activities such as tourism, and so on. For this reason, it may be necessary to develop standard groupings of ISIC and CPC that will bring out the specific industries and products concerned. Such groupings could be identified on the model of the energy and tourism groupings now contained in the annexes to ISIC, Rev.3.

41. Furthermore, there is an increasing need to utilize microcomputer software in the development, management and restructuring of classifications. At present it is already clear how time-consuming it is to develop correspondence tables. If similar links have to be developed for each of the classifications, it is essential that more effective use be made of microcomputer software, both in the development of such classifications and in

the design of correspondence tables. The software to support these developments could also be used by countries in the conversion of data systems from one classification to another.

III. POINTS FOR DISCUSSION

42. Based on the information provided above on ongoing work and proposals for future work on classifications, the Commission may wish to:

(i) Take note of the work accomplished to date on correspondence tables between ISIC, Rev.3 and ISIC, Rev.2; between ISIC, Rev.3 and HS, SITC, Rev.3 and CPC; and on the indexes to ISIC, Rev.3;

(ii) Express its views on ISIC, Rev.3 and on how the remaining work in support of ISIC, Rev.3 implementation should be oriented to optimize its use by countries;

(iii) Express its views on future work to finalize the provisional CPC;

(iv) Express its views on the proposed future work programme on functional classifications of expenditures, in the light of the new directions embedded in the revised SNA;

(v) Provide its views on the coordination of activities among international, regional and other agencies that have expertise and are active in the classification work described in the present document.

Notes

1/ Official Records of the Economic and Social Council, 1991, Supplement No. 5 (E/1991/25), para. 170 (e).

2/ Ibid., para. 170 (b).

3/ International Standard Industrial Classification of All Economic Activities (Rev.3), Statistical Papers, Series M, No. 4, Rev.3 (United Nations publication, Sales No. E.90.XVII.11).

4/ Provisional Central Product Classification, Statistical Papers, Series M, No. 77 (United Nations publication, Sales No. E.91.XVII.7).

5/ Standard International Trade Classification (Rev.3), Statistical Papers, Series M. No. 34, Rev.3 (United Nations publication, Sales No. E.86.XVII.12).

6/ Official Records of the Economic and Social Council, 1989, Supplement No. 3 (E/1989/21), para. 95 (d).

Notes (continued)

7/ Official Records of the Economic and Social Council, 1991, Supplement No. 5 (E/1991/25), para. 97 and para. 100 (g).

8/ International Standard Industrial Classification of All Economic Activities (Rev.2), Statistical Papers, Series M, No. 4, Rev.2 (United Nations publication, Sales No. E.68.XVII.8).

9/ Indexes to the International Standard Industrial Classification of All Economic Activities (Rev.2), Statistical Papers, Series M, No. 4, Rev.2, Add.1 (United Nations publication, Sales No. E.71.XVII.8).

10/ Basic Methodological Principles Governing the Compilation of the System of Statistical Balances of the National Economy, Volume II, Statistical Papers, Series F, No. 17, Rev.1, vol. 2 (United Nations publication, Sales No. E.89.XVII.3).

11/ Correspondence Table Between the International Standard Industrial Classification of All Economic Activities of the United Nations (ISIC) and the Classification of Branches of the National Economy of the Council for Mutual Economic Assistance (CBNE) (United Nations publication, Sales No. E/R.85.II.E.29).

12/ International Classifications Used in Statistics, 1991 (CES/688).

13/ Final draft of the revised System of National Accounts (SNA) (PROV/ST/ESA/STAT/SER.F/2/Rev.4).